

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

ANNUAL COMPLIANCE REVIEW, 2015

Docket No. ACR2015

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
QUESTION 1 OF CHAIRMAN'S INFORMATION REQUEST NO. 21

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 21, issued on May 2, 2016. Each question is stated verbatim and followed by the response.

Respectfully submitted,
UNITED STATES POSTAL SERVICE

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May 13, 2016

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 21**

1. Please refer to Item No. 1 of the Response, which addresses the Commission's finding that "Priority Mail Contract 135 and Parcel Return Service Contract 8 were not in compliance with 39 U.S.C. § 3633(a)(2)[,]" and the Commission's request for a report on the Postal Service's evaluation of these competitive domestic negotiated service agreements.¹ The Postal Service states that it expects both Priority Mail Contract 135 and Parcel Return Service Contract 8 to cover their costs for FY 2016. Response at 2. The Postal Service further states that based on its evaluation of Priority Mail Contract 135 and Parcel Return Service Contract 8, it has determined to not take any corrective action at this time. *Id.*

Please provide contract specific financial analyses that support the Postal Service's expectation that Priority Mail Contract 135 and Parcel Return Service Contract 8 will cover costs for FY 2016. As part of these analyses, please provide FY 2016 actual volume, cost, and revenue for quarters 1 and 2 and projected volume, cost, and revenue for quarters 3 and 4.

RESPONSE:

Parcel Return Service Contract 8:

As stated in its response to Chairman's Information Request No. 7 and in its response to the Commission's request for additional information in the FY 2015 Annual Compliance Determination (filed April 27, 2016), the Postal Service has determined to not take any corrective action at this time, but will continue to closely monitor the cost coverage of this contract throughout this fiscal year. The Postal Service is preparing its contract specific FY 2016 analysis for this contract with data from Quarters 1 and 2, and projected data for Quarters 3 and 4, which will be filed under seal shortly as part of USPS-FY15-NP39.

¹ Fiscal Year 2015 Annual Compliance Determination Report, March 28, 2016, at 82.

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Priority Mail Contract 135:

The Postal Service has completed an internal review of the Priority Mail Contract 135 as ordered by the Commission. The Postal Service, in its response to the Commission's request for additional information in the FY 2015 Annual Compliance Determination (filed April 27, 2016) had stated its expectation that the customer would be able to adjust their shipping profile to meet cost coverage requirements. However, after reviewing the latest data with the customer, the Postal Service has determined that while the customer has made progress on adjusting its shipping profile, it is not sufficient progress to justify continuing the contract. Consequently, the Postal Service has decided to terminate the contract. The Postal Service provided written notice of termination to the customer on May 4, 2016. As part of its forthcoming USPS-FY15-NP39, the Postal Service will include its analysis of Quarters 1 and 2 of FY 2016 for this contract.